TRENDS | Ethnic merchandising

Ethnic cosmetics and hosiery sales picking up

How blacks spend their hair care dollars*
(share of sales by category segments)

Hair Preps	1983 % share	1985 % share
Conditioners	25%	20%
Relaxers	18	12
Curl activators	17	22
Conditioner lotions	15	23
Perm curl kits	9	8
Hair sprays	2	1
Shampoos	9	8
Hair dyes	4	5

*Based on manufacturer dollars
Source: Business Trends Analysts & AHBAI

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but people today are wearing their hair straighter and they're wearing it shorter," he said.

Many ethnic men, also, are wearing their hair especially short these days, and relaxer products help them achieve and maintain a soft, straight look without kinks showing in the hair.

Curl activator kits are down this year in sales. Both retail and manufacturer sources say curl kit sales are off 20%-30%.

Ethnic shampoos, say retailers, are also flat, and in some markets, down.

On the other hand, conditioners and sprays, which moisturize black hair and give it sheen, softness and styling control, are up 10%-20%, some sources say.

'Natural' products

Last year several retailers, including Walgreens and SupeRx, began experimenting with a line of "natural" ingredient hair and skin care products.

The line, All Ways Natural, has been publicized in the editorial pages of several black consumer magazines.

In the styling sections of black hair care, mousses and gels are very popular with blacks who have relaxed hair.

"The No. 1 category this year," said Humphreys of Jack's Service, "is styling gels. This category has been good for about two years now, and last year sales in this segment more than doubled for us."

Paul Cockrill at J. Strickland said that the sales of all glycerine-based gel products are up dramatically. "They're cleaner than petroleum-based products," he explained. "They don't drip and they can be used to condition the hair without fear of staining."

Men's hair preps

At Soft Sheen, vp-marketing Denise Gardner sees men becoming much more active in the personal care categories.

"The trend is to go back to good, basic grooming," she says. "Men are taking much better care of their hair and you're seeing a lot of growth in the styling aids and the conditioners that are positioned especially for them."

The growth in relaxer sales is also prompting manufacturers to think of creating regimens of hair care items—not just a brand, but a whole line that can treat all the major hair care needs.

Cosmetics sales

Retailers say the cosmetics ethnic lines have been doing fairly well in 1986 and early '87.

The Posner line usually is rated the best in terms of turns and dollar sales, while Zuri is generally mentioned next and Ultra Sheen third.

"Black cosmetics sales are really picking up," said Judith Lynn's Orenstein.

"The manufacturers are also doing a better job of advertising and promoting this category, but I think they'd see even stronger sales if they got even more aggressive," Orenstein continued.

Skin care sales in ethnic have not been dramatic in the past year, but retailers say they are seeing a relatively steady base of sales, and in some chains, certain brands like the Ambi line are generating relatively steady growth.

Ethnic toiletries* profile

Category	% share 1984	% share 1986
Activators/ moisturizers	32.80	34.10
Relaxer kits/ curl kits	18.60	18.50
Oil sheens/comb-out sprays	21.00	17.60
Hair conditioners	11.40	11.90
Skin ointments/ creams/lotions	4.30	4.80
Hair pomades	4.70	4.80
Scalp ointments/ treatments	2.10	2.30
Shaving depilatories	1.40	1.70
Bergamots	1.25	1.40
Shampoos	1.28	1.30
Hair color	0.46	0.98
Pressing products	0.62	0.56

*% share excludes cosmetics
Source: Based on year end sales of Paul's Sundries, Los Angeles, Calif.

Hosiery thrives

Ethnic hosiery is doing very well off what's still a relatively small base. Most of the major chains, including Walgreens, Thrift, CVS, Revco and Eckerd, now have black hosiery sections in most of their stores with 50% or more black traffic.

According to retailers who have spent time studying the black hosiery category, sales in this department are among the highest volume per square foot of any category in most drug stores.

The profit potential in the category is also there, because most ethnic hosiery brands generate 40% to 60% margins.

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Jewelry and watches

TRENDS

Chains synchronize watches with markets

Regional preferences dictate styles, price range

With competition from almost all retail outlets, drug stores currently hold about 10% of the overall watch business, according to figures used by Timex in its retail presentations.

Greatest competition comes from discount and department stores, which account for about 60% of the sales.

Translation for drug stores: Stay up on trends in styles, pricing and consumer demographics.

By keeping their typically conservative Midwest consumer in mind, Indianapolis-based Hook Drug Stores has been able to increase its watch sales. Although fashion and sport watches are important for some chains, the demographics surrounding Hook stores dictate that the bulk of the selection be basic replacement styles, according to Mark Tow, Hook sundries buyer and promotions coordinator.

Fine-tunes selection

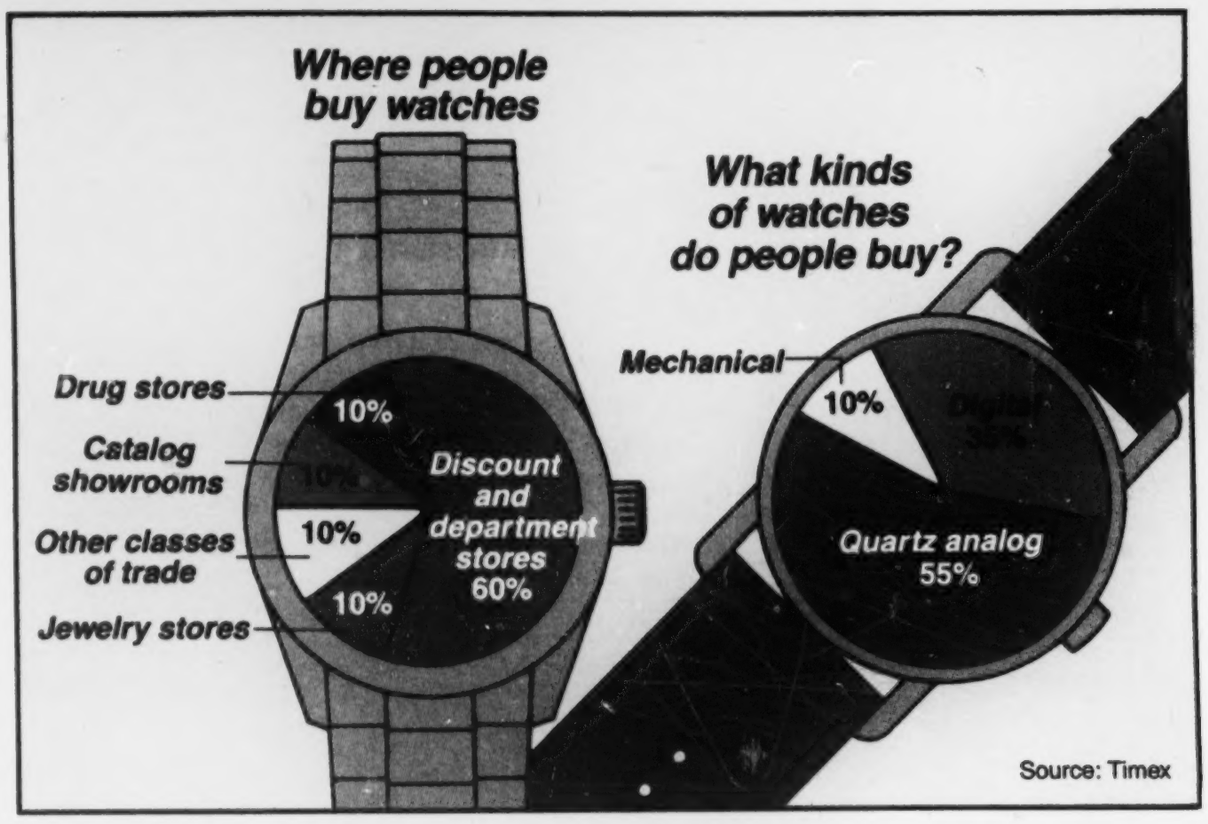
Keeping the selection fine-tuned has meant Hook's "turns have vastly improved over the last few months," said Tow. It is the better turns, not really an increase in sku's, that has helped propel watch sales at Hook. According to Tow, better buying—through the use of vendor-supplied information and materials—has been the key.

Watches are planograned and individual styles are also tracked by computer at Hook, so overall and store trends can be evaluated and acted upon. Currently, Tow said Hook's No. 1-selling watch runs between $20 and $25 and is the very traditional water-resistant gold expansion band with all the numbers and a sweep second hand.

"Watch sales were up over 30% last year" at Perry Drug, according to Marc Fournier, buyer for electronics and sundries. As at Hook, Fournier said the increase at Perry was not really due to increased sku's, but rather a national sales trend spurred by an increase in selection.

Buying strategy changed

At Genovese, changes in the buying strategy brought watch sales up over 30% during 1986, and in 1987 the chain expects to see a 20% gain, according to Lenny Genovese, buyer of front-end and sundry merchandise.



Watches are no longer handled through Genovese's distribution center; instead, rack jobbers handle the store servicing. This allows for experienced people to handle the watches, while also letting stores order directly their best-selling styles from the jobbers, noted buyer Genovese.

In addition to honing their buying tactics, maintaining comparable pricing is necessary for drug stores' placement in overall watch sales. Several chains reported they take some type of everyday discount on their watches, while keeping gross margins around 25% to 40%.

Genovese prices its watches 20% off the suggested retail price on an everyday basis, while taking 30% off the suggested retail price during promotions, according to the chain's buyer. And at a discount drug store in the Port Washington, N.Y.-based Rock Bottom chain, Timex watches are marked 20% off the suggested price.

Promoted at peak times

Typically, watches are promoted by the chains during the peak selling periods—Christmas, Father's Day and graduation time. However, special buys, particularly with the low-end digital watches, spurred some stores to run additional sales throughout the year.

At Sioux Falls, S.D.-based Lewis Drug, buyer Randy Seney said the NDQ budget watches are normally run on promotion at $2.99. Consumers know the low-priced digitals are basically "a disposable watch" and replaceable in six months to two years, noted Seney. This type of watch, he said, is particularly popular with people who work with their hands—such as construction workers—and who don't want to wear an expensive watch. And according to NDQ vp Ron Nolan, drug chains can still make a 50% profit on the $2.99 sales.

Likewise, Harco Drug runs a promotion every 90 days, selling basic Timex watches at $4.99 and $5.99, according to the chain's buyer, Keith Connell.

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A locked display case for watches allows easy browsing at Eckerd, Indian Rocks Beach, Fla. Service is readily available from the photo/cosmetics counter nearby.

Jewelry, watches basic to gm mix

While drug retailers carefully scrutinize their general merchandise categories, jewelry and watches appear to be above this examination. Chains nationwide report they are maintaining these areas because of high-margin sales from relatively little space.

Seasonal events push the bulk of watch sales, although fashion and sport styles bring in customers throughout the year, while jewelry sales revolve around the changing fashion season. Both categories pick up some impulse sales, particularly jewelry, where earrings account for most of the business.

Chains said the necessity for keeping abreast of style changes, consumer tastes and competitors' prices were the key issues in making both watches and jewelry profitable.

Jewelry profits gleam in setting near cosmetics

Retailers work closely with vendors on selection

The fashion tie-in between jewelry and cosmetics works to create multiple sales for chains—since merchandise display racks are in or near the cosmetics area—and jewelry alone is often an impulse sale.

High gross margins, ranging from 50% to 65%, and jobber handling add to the attraction of jewelry.

Store service

At Genovese, which is expanding its jewelry effort, Accessories Associates Inc. pre-tickets the jewelry, and handles markdowns and returns, since the chain does not devote a full-time person to the category, according to cosmetics buyer Stephanie Hayter.

Hayter said the chain is "just really getting started in it [jewelry], and in the last 60 days, we've doubled the number of stores carrying it." So currently, about half of the chain is stocked with merchandise, which is typically shown on a 4-foot-square single tower display and a 4-by-2 table.

Harco Drug also works with AAI to plan out the jewelry selection for the stores. According to cosmetics buyer Penny Wade, AAI sends Harco seasonal boards with a mix of merchandise for approval by the chain.

Jobbers also service Austin Drugs on a weekly basis, according to one store manager, who noted that his cosmetics manager works closely with the vendors to choose the best selection for the store.

Several chains said they place a price limit on jewelry, leaving it up to the jobbers to pick the selection—knowing that is in the best interest of everyone involved to provide top-selling styles.

"A lot of the stores we work with don't want to get involved with the picking and choosing from samples," explained Ken Logsdon, vp-sales for the Gerson Co. Working with chains like Bartell, Skaggs, Longs and Osco, Logsdon said he is able to see what merchandising tactics produce the best jewelry sales.

Secret is good mix

"The secret to costume jewelry is a good mix of current fashion merchandise, housekeeping and a salesperson that likes and knows jewelry," Logsdon explained.

Drug stores and vendors alike agreed it is necessary for the retailer to keep a broad selection of merchandise in order to compete with the mass merchandisers like K mart.

"The chain drug stores have some different needs, but they're coming closer to the general merchandisers," noted AAI president Jack Flynn. AAI has noticed an overall upgrading of jewelry by drug chains and some aggressive promoting by retailers, such as Harco.

Fashion colors, complementing the current season, are staples in the jewelry business, noted chains and vendors. However, metallics, rhinestones and tortoise shells are updating the category this year.

Harco splits its selection 50/50 between the basic styles and the more fashion forward looks. Similarly, Genovese maintains an even mix between the classic conservative styles and the fashion colors.

Drug stores said they offer necklaces and bracelets, but earrings account for the bulk of the business. And by emphasizing the impulse nature, chains reported they keep prices between $2 and $10, with the majority of sku's falling in the under $5 range.

TRENDS

Jewelry and watches

Chains opt for sport, basic watches over fashion

Drug stores look to keep a mix of current watch styles, while dipping into the fashion watches on a limited basis and only if their customer base calls for the varied selection.

Manufacturers agree with this strategy and note that drug stores also have to keep their prices in check, since many of the sales are impulse purchases.

The Timex Watercolors and the Omni watch are selling well for most chains, such as Genovese, where approximately 30% of the stores' offering is fashion watches, according to Lenny Genovese, buyer of front-end merchandise and sundries. The chain said 80% of its business comes from the watches priced under $39.95 retail, with the remainder of sales ranging above this price, going as high as $54.95.

Lewis Drug keeps "a little mix, there has to be some" fashion styles, but the bulk of the stores' selection is again the basic quartz and digital watches, noted Randy Seney, buyer for the chain.

Styles must prove worth

Lewis maintains a selection of budget, basic and fashion watches, buying its Timex and Lorus lines through a distributor, while fashion and budget styles are purchased directly by Lewis' buyers. For new items, Seney said he follows his instincts and "buys light," until styles prove themselves. Prices vary from $2.99 to $79.95, but the bulk of the business for Lewis falls in the $29 to $34 range.

Women's styles still outweigh the men's selection at Lewis, and although other chains said this used to be rule, many reported they are now selling a 50/50 mix.

Both men's and women's sport watches have come on strong for many drug store chains, as the country continues to show interest in athletics. At Perry Drug, the "initial response on the Casio sports watch is strong," and the chain runs the digital watches from $10 to $30, said buyer Marc Fournier. According to the buyer, the sport watches are "being purchased by more than just the youth."

Perry also carries some fashion styles, primarily the Sharp brands, and Fournier said they are testing some bangle watches in a few of their stores.

Shuns fashion looks

Hook Drugs stays away from the fashion looks altogether, since the stores cater to customers age 25 to 50, who are generally not interested in anything but a basic watch, according to sundries buyer and promotions coordinator Mark Tow.

Tom Thumb/Page keeps about 10% of its selection devoted to fashion styles in order to remain flexible and up-to-date, according to Ray Martin, buyer and merchandiser for general merchandise and direct-store delivery.

Watch selection fitted to markets

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Tom Thumb/Page usually runs an entire brand on sale, although on occasion just one or two styles have been promoted, according to Ray Martin, buyer and merchandiser for general merchandise and direct-store delivery. Although the bulk of the line is planogramed, Martin said the individual stores are left flexible in pricing in order to stay competitive with surrounding stores.

Promotional merchandise and everyday sku's are typically merchandised in or near the photo service counter for most drug chains. Cases and freestanding displays hold the bulk of the watches, while pegboards, endcaps and small swivel racks are often used to merchandise the low-end digital watches. And although sales are up for most chains, watches have generally not been given more space.

At an Austin drug store on Long Island, N.Y., Casio and Timex watches are displayed up front in two display racks near the counter area. Sell-through is about 100 watches every two months for store manager Bob Wahmann. Distributors work directly with store managers to stock and maintain the selection, according to Austin Drugs president Gary Lefferts.

Looking to maintain a reputable image with their watches, Tom Thumb/Page keeps their watches in the service area. "It destroys credibility when you stack them out on the table; we want the customer to be serviced," explained Martin.

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Sherwin-Williams refocuses

Continued from page 1

either, we know it has taken up an inordinate amount of management time" in efforts to put the chain on a solidly profitable basis, the chairman noted. The decision last summer to sell the chain, he added, was "based on our conclusion that our company's resources could best be devoted to our core business."

After the meeting, Breen told *Drug Store News* he still hopes to complete the sale of Gray by the end of the second quarter, which ends June 30. He added, however, that the company has no firm timetable.

"When you're dealing with an LBO (leveraged buyout) situation, there's no real way of telling how long it might take," Breen said, referring to the Bellini group's continuing efforts to line up the financing package to take Gray private. "Look how long it took the Revco people."

Revco D.S. was taken private last year after protracted efforts by inside managers, led by chairman Sid Dworkin and president William Edwards, and outside investors.

"We're not controlling the buyout process, and due diligence takes time," Breen added. "It's quite possible it could take longer."

Made progress

While acknowledging Sherwin-Williams' disappointment with its chain drug division, Breen praised its return to profitability under Bellini and current interim president Jim Mastrian. "We intend for Jim (Mastrian) to stay with Sherwin-Williams after the sale," he said. "He's an excellent manager."

Despite its parent company's decision to get out of the drug store business, Gray has made significant progress in many areas since 1984, when operating profits bottomed out at $82,000 for the year. Since that time, Gray managers and employees have succeeded in remerchandising and sprucing up stores, with a tighter focus on basic drug store items, a clean shopping environment, a strong health care image and improved customer service and convenience. Some 300 Gray and Drug Fair stores have also been outfitted with pharmacy computers, and new systems for inventory replenishment and control have been installed at the warehouse and store levels.

Gray advertising executives have also boosted the chain's visibility and image with more aggressive advertising and an emphasis on Gray's convenience, low prices and service.

'On right track'

The result: Sales are way up in many departments, including pharmacy, and pretax earnings have mushroomed to $6.7 million in 1985 and $10 million last year.

"Sure, we have problems, but our big problems now are the same as those which face the whole chain drug store industry," said one Gray source. "We have or still have our work cut out for us, but we've come a long way in a short time and we're definitely on the right track."

Eckerd sheds Med-Care

Continued from page 1

Inc., which operates three home health outlets in its home base of Atlanta, and one in Birmingham. The buy lets Markka enter Florida, where Foster Medical, along with "Mom-and-pop" businesses, have been Eckerd's chief competition in home health, according to Markka principal Vance Wall.

"It was part of our strategy to be in Florida anyway," Wall noted.

Besides being a business that must carry a high portion of outstanding receivables stemming from sale and rental of high-ticket merchandise, home health care is service intensive. Markka speeds up collection of receivables using an in-store computer system—something Eckerd has lacked.

Big B is buying Eckerd units that match its 8,600- to 10,000-sq.-ft. prototype size in the state's most populated markets outside of Birmingham, said Bob Little, Big B's vp-store operations.

The buy won't affect the 178-store chain's planned 20-25 new store 1987 rollout, said Little.

Revco, itself striving to pay for a leveraged buyout, is withdrawing from a metro area where it opened as many as three units in the last two years, according to a market source. "Revco is not doing much in this market," the source said.

CVS eyes new DC

WOONSOCKET, R.I. — The 500,000-square-foot distribution center CVS might open in southern New Jersey next year would relieve some pressure from the regional DC in Victor, N.Y.

The Victor facility has been overtaxed for awhile now, sources said, in its efforts to service approximately 75 CVS stores in the New Jersey market and about 40 stores in Pennsylvania.

CVS currently has 152 stores in New York, which is the chain's second most heavily concentrated market after Massachusetts, where CVS operates 165 stores.

Later this year, CVS plans to open its third distribution center. It will be a 200,000-sq.-ft. facility in Rancho Cucamonga, Calif., servicing the state where CVS now has 36 stores.

House prepares bill

Continued from page 1

Dingell (D-Mich.), committee chairman, said recently. The proposal was expected to be introduced in April.

The planned legislation would restrict or ban greenmail, in which a raider sells stock it owns in a target company to the company at a premium price, in return for dropping a takeover effort. The bill would also lengthen the period allowed for tender offers, to give shareholders more time to consider them, and shorten the period in which investors must disclose their stock holdings.

Target companies would face restrictions on poison pill strategies, under a mandate of one share-one vote, that would eliminate the dual classes of stock often used defensively.

The legislation proposes also to cut out golden parachutes.

SGC buyout plan weighed

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man, who said in recommending shareholders' approval of the MLCP buyout plan, that he would not participate.

Current Pathmark president Kenneth Peskin would become chairman and ceo, executive vp James Dougherty would be president and Jack Futterman, the drug division president, would become an SGC vice-chairman.

Tender offer endorsed

MLCP—which took Eckerd Drug private in 1985 and owns a controlling share there—made a tender offer of $46.75 for up to 32.8 million (85%) of outstanding SGC common shares. SGC management unanimously endorsed the plan, heading off an estimated $45 per share offer that was made and withdrawn by Dart, which hadn't responded to the new bid by presstime.

Following a merger of SGC with the planned new company, stockholders for their remaining shares would receive $27.50 of 13⅛% junior discount subordinated debentures and seven-tenths of a share of $3.52 cumulative exchangeable redeemable preferred stock of the parent corporation.

The plan follows about two months of near silence by SGC management since Dart Group first made a bid March 6. MLCP's buyout offer resembles the pattern that emerged last year, when the Kohlberg, Kravis and Roberts investment banking company stepped forward to outbid the Dart Group for the Safeway Stores. Under somewhat different circumstances, MLCP became involved at Eckerd after Dart put the drug chain company into play, by offering and then withdrawing a purchase plan.

Hafts plan suit

Meanwhile, it was reported that the Haft family, Dart's owners, plans to sue Merrill Lynch for damages that it alleges arose from the investment banking company's role in Dart's offer for SGC. Merrill Lynch said it had exchanged information about SGC with the Hafts earlier this year, before organizing the planned SGC management buyout. Dart also said it is keeping its options open on its next move regarding SGC.

"I would think this price is overpaying as it is," said one analyst about the offer by the MLCP group.

Chains spend for TV time

Continued from page 3

ers to coordinate co-op TV with print ads and ensure more co-op is used.

Revco is re-establishing its TV/print mix in 1987, after sharply curtailing TV spending in 1986 to meet budget needs, said Revco chairman Sidney Dworkin.

Revco TV spending had plummeted 71% to $1.4 million in 1986 from $4.9 million in 1985, TVB reported.

Dworkin said that "budget constraints" caused the decline, but that the chain is already using image-type ads in 1987 that will somewhat restore the TV/print balance of earlier years.

Drug chains see the TVB survey as a reliable indicator of spending trends, although the results are imperfect, since they are based on monitoring TV broadcasts. They can't factor in co-op funds and negotiated rates.

While chains declined to share their ad budget breakdowns, some spokesmen confirmed that TV is accounting for a greater share of their total ad budgets.

Meanwhile, the Newspaper Advertising Bureau reported that advertising by drug stores in newspapers increased 5.6% in 1986 to $402.5 million. And radio advertising—including network, spot and local sponsorships—grew 7% from 1985 to 1986, led by 15.6% growth in network ads, according to the bureau.

Eckerd launched a campaign of 60-, 30- and 15-second image-spots by W. B. Doner agency aimed at the convenience-minded female shopper. It also spent more on co-op advertising and introduced its Express Photo department in the Tampa market with TV, said Julie Gardiner, an Eckerd advertising manager.

Boston market sources said that Walgreens' entrance is an apparent reason for stepped-up TV advertising by CVS, which TVB said boosted its TV budget 44%. "They've bought a lot of TV time, and Boston is an expensive market," a source noted.

Melville sales up, net income down

HARRISON, N.Y. — Melville Corp., parent of CVS and Freddy's, reported higher sales and lower net income in the first quarter ended March 28.

Sales climbed to $1.07 billion in the quarter, compared with $1.03 billion in the comparable year-ago period.

Net income slid by more than 20%, however, to $8.04 million in the most recent quarter, from $10.73 million in same period a year earlier.

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DRUG STORE NEWS

Vol. 9/No. 11 **Serving chains, wholesalers and high-volume independents for 58 years.** Published by Lebhar-Friedman Inc. May 25, 1987

Rite Aid hits $2B in sales, 2,000 units

By Al Heller

SHIREMANSTOWN, Pa. — When Rite Aid's purchase of 356 Gray Drug and Drug Fair stores is completed on June 26, the fast-track chain will leap to No. 5 in industry volume at nearly $2.2 billion and pass Revco for the store count lead at 2,042.

Playing its own game of "can you top this," Rite Aid since last fall has repeatedly entered the takeover market and contracted to buy stores in the East and Midwest that grew its roster of retail outlets by a stunning 45%.

That's no small feat, considering that Rite Aid already posted $1.66 billion annual drug store sales and operated 1,686 drug stores as of April 15. No other drug retailer is taking strides like this.

Major Midwest presence

The pending $115 million cash purchase of these stores in nine states and D.C. gives Rite Aid an overnight major Midwestern presence and fills in its continuous run down the Eastern seaboard.

Moreover, it adds to states where Rite Aid already operates, is familiar and garners buying and distribution efficiencies without significant cannibalization.

It follows by five months Rite Aid's $110 million takeover of 218 SupeRx, Gray Drug and Drug Fair stores in Maryland, Georgia, Florida and Alabama. That followed the purchase of nine Harris stores in North Carolina last fall.

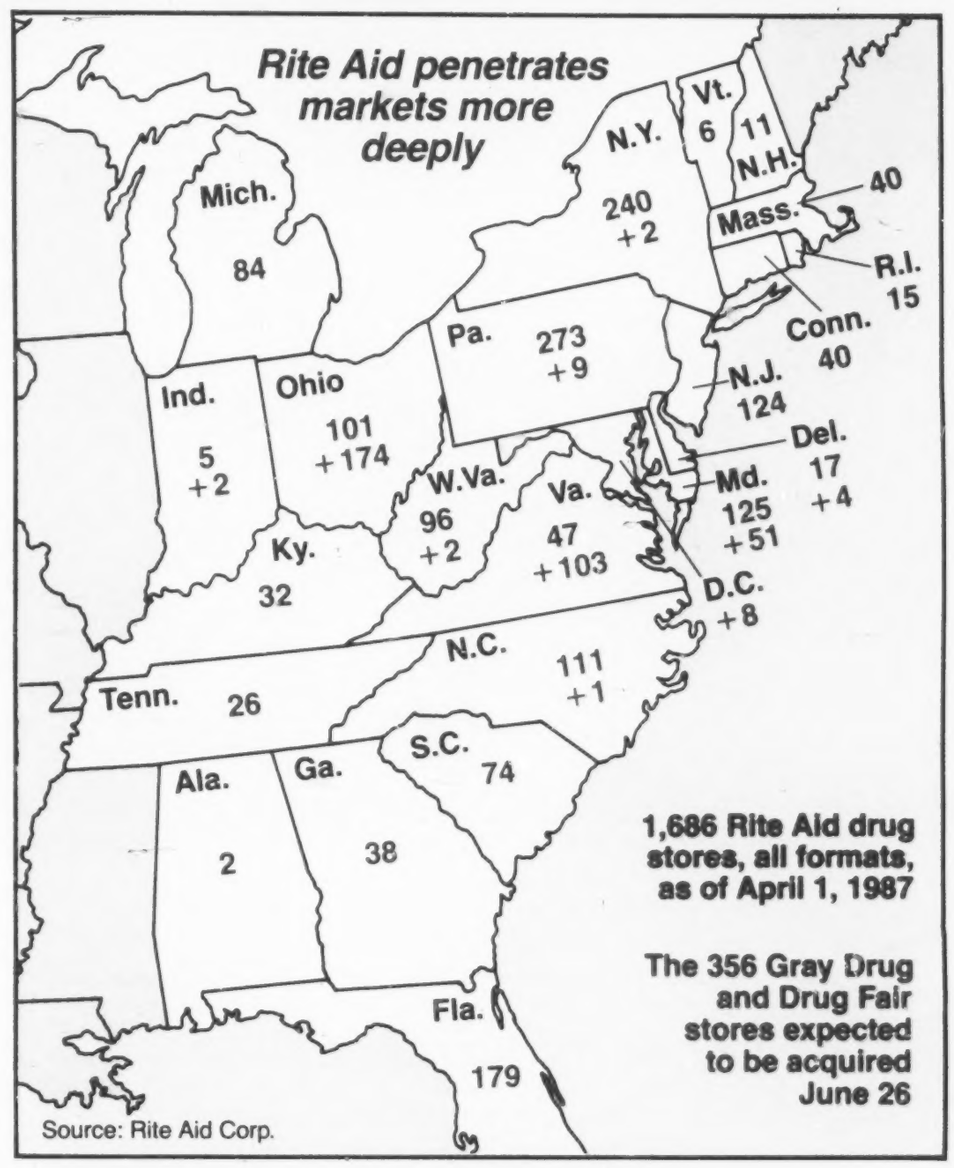
"We never wanted Gray Drug Fair all at once," Martin Grass, executive vp of Rite Aid, told *Drug Store News*. "We had a game plan to get Baltimore and Florida. If we got the rest, OK. If not, we'd live without them."

Serious negotiator

The integration of Florida went smoothly. When former Gray Drug Fair president Carl Bellini couldn't pull financing together by a March 1 deadline, "the doors opened," said Diane McCormick, Sherwin-Williams spokeswoman.

Several sources close to the

Continued on page 3



Buying show draws crowd

NEW YORK — Merchants from about 100 drug chains were preparing to attend the combined Associated/Affiliated spring buying show at the Omni Park Central here.

The show runs from May 18-20, and is scheduled to include exhibits from 110 vendors showing about 500 general merchandise lines. Cosmetics and health and beauty aids also are to be displayed.

First-time exhibitors this spring include the COMB liquidator wholesale division, wall decor supplier Intercraft Industries, Panasonic appliance division, product developer and importer Aurora Im-

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Dart is refinancing to ease debt costs

LANDOVER, Md. — Dart Drug Stores is attempting to recast its financing for the second time in 11 months to delay repaying some burdensome costs of its 1984 leveraged buyout.

Its current bid to exchange $160 million of 12.7% senior debentures for 6.5% convertibles and common shares is expected to face a rough reception.

The 81-store chain has turned in negligible sales gains since going private and hasn't been in the black yet, largely because of heavy interest expenses.

While Dart management tries to rally its stores into profitability with a massive image-recast campaign, improved merchandising and expense controls and a two-pronged urban/suburban location strategy, it is also trying to buy time for its programs to grab hold.

Would slash debt

A successful exchange offer would slash Dart's debt in half, from $205 million to $106.5 million. It would also cut annual debt costs from a projected $28 million in 1987 to $8 million.

If the exchange offer is consummated, Dart will keep its foothold in this hotly competitive Maryland-D.C.-Virginia belt, where Safeway and Giant Food have greatly increased their pharmacy/H&BA presence and where Peoples, Drug Fair and Dart

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HMO's $ woes threaten 2 chains with big losses

By Pamela Krein

MIAMI — Eckerd is reportedly owed more than a million dollars from faltering International Medical Centers (IMC), a health maintenance organization here that is currently under federal investigation.

An industry source told *Drug Store News* that Walgreens is owed a similar amount by IMC. Both drug store chains hold contracts for the HMO's scripts services.

IMC has been under investigation for some time, stemming from complaints of delayed bill payments and improper membership enrollment quotas. In April, IMC president Miguel Recarey was forced to resign after being indicted on charges of conspiracy, obstruction of justice and bribery.

In early May, the federal Health Care Financing Administration announced its in-

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LATE NEWS

- DEERFIELD, Ill. — Walgreens has withdrawn in at least five states as a pharmacy provider for Maxicare, a national HMO. The five states are Texas, Illinois, Indiana, Wisconsin and Kentucky. Reasons cited included an inability on Maxicare's part to control utilization and the HMO's unwillingness to increase capitation or share risks.
- NASHVILLE — Nashville Drug Distributors will open the first of a projected five franchised Drug Emporiums here this summer. The site is a 24,000-square-foot retail space in the Rivergate Marketplace Shopping Center.
- Safeway Stores is negotiating the sale of at least 60 units in its 118-store Houston division to a group of local employees and private investors, as its breakup continues under ownership by the Kohlberg, Kravis and Roberts investment group, it was reported.

Price Club launches pharmacy

SAN DIEGO — Area drug stores will face another form of competition here with Price Club's scheduled May opening of its first pharmacy.

The membership warehouse company said the move will enhance its customer service offerings. Price Club also recently opened an optical department.

The 27-warehouse chain operates on a low-margin basis, selling groceries, H&BA, liquor, apparel, tires and appliances to wholesale and retail customers.

Although Price Club normally takes the lead in the membership warehouse club industry, Seattle-based Costco opened the first pharmacy a year ago at its Portland warehouse.

Near front registers

Like Costco, Price Club is locating its pharmacy within the warehouse, but up front and forward of the register area. Initially, the company said, it will operate just the one pharmacy and optical center at its Morena Boulevard location—the company's original warehouse outlet.

The Morena pharmacy will serve as a test, the company said, and will carry a typical prescription pharmacy offering. Future plans for the pharmacy department were not disclosed by the company, but industry sources expect the warehouse leader will proceed as Costco did, allowing for a shakeout period to fine-tune

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